

Activity has been delayed by mechanical problems and it will be early summer before the results of recent Devonian drilling in 11-22-44-16W5 will be evaluated.

The Moose Mountain area in the foothills has been significant for Home with the recent completion of a second well. However, the drilling of the continuation of this structural trend, at Mount Barwell, has been delayed by rig availability and a prolonged spring break-up.

The Company, through its subsidiary Scurry-Rainbow, has participated in the drilling of 34 wells in the Gold Creek area of the Elmworth trend in 1978 and 1979 and anticipates 75% of its 1979 exploration budget will be devoted to this area. This program has resulted in significant gas discoveries in the Spirit River, Bluesky and Devonian reservoirs.

Home Petroleum Corporation has maintained an active program within the Oklahoma panhandle, east Texas, and the Gulf Coast area of southwest Texas. Currently two wells are drilling off platforms on the N.E. Chevron project in the Gulf of Mexico and one of these wells has opened, what could be, a significant new gas bearing zone somewhat lower in the section than previously tested. Production from this field is expected January 1, 1980. Drilling in the Beckville area of east Texas is proceeding satisfactorily and it is anticipated that gas will be flowing from Home's properties in this area by late 1979.

PROJECTS

The Company submitted a technical proposal to the United States Department of Energy covering a 120 million barrel crude oil storage facility in the Straits of Canso in Nova Scotia and has been requested to file a pricing proposal in June. The project, in which the Company has a 50% interest, is estimated to cost \$300 million.

A report covering the environmental impact and infrastructure plans of the Company's Elk River Coal Project was accepted in principle by the British Columbia Government. The lack of world metallurgical coal markets has delayed the prospect although current activity will still allow a production target of 1985 to be maintained.

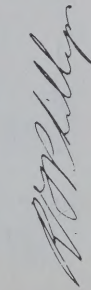
DIRECTORS AND MANAGEMENT

At the Annual Meeting on May 2, 1979, the following Directors were re-elected to the Board: B.A. Carlisle, J.D. Gibson, A.G.S. Griffin, H.W. Hays, H.F. LeMieux, P.L.P. Macdonnell, W.D.C. Mackenzie, R.F. Phillips, A.R. Poyntz, A.M. Shoultis, and W.P. Wilder. A.M. McIntosh of Calgary and A.F. Griffiths and H.N.R. Jackman of Toronto were elected for the first time.

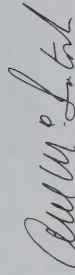
Following the Annual Meeting the Board appointed R.F. Phillips, Chairman of the Board and Chief Executive Officer, and A.G.S. Griffin, Deputy Chairman. A.M. McIntosh, formerly Executive Vice-President of Pacific Petroleum Ltd., was appointed President and Chief Operating Officer.

DIVIDEND

On May 2, 1979, the Board declared a semi-annual dividend of 65 cents on both the Class A and Class B shares of the Company, payable July 1, 1979, to shareholders of record June 6, 1979.



R.F. Phillips
Chairman of the Board
and Chief Executive Officer



A.M. McIntosh
President and Chief Operating
Officer



INTERIM REPORT TO SHAREHOLDERS

FOR THE THREE MONTHS ENDED
MARCH 31, 1979

2300 HOME OIL TOWER
324 - 8TH AVENUE S.W.
CALGARY, ALBERTA
T2P 2Z5

MAY 15, 1979

HOME OIL COMPANY LIMITED

AND SUBSIDIARY COMPANIES

TO THE SHAREHOLDERS:

FINANCIAL

The Company's net earnings before extraordinary items for the first quarter of 1979 totalled \$10,791,000 (\$1.31 per share) compared to \$10,663,000 (\$1.30 per share) in 1978. After inclusion of an extraordinary item of \$1,147,000, net earnings amounted to \$11,938,000 or \$1.45 per share. The extraordinary item arose from the sale by Scurry Rainbow Oil Limited, an 88% owned subsidiary of the Company, of its interests in the United Kingdom for \$11.2 million. The proceeds from this sale were used to retire short term bank indebtedness.

The 15% increase in gross revenue to \$62,354,000 results primarily from the inclusion of production income from the Bridger Petroleum properties together with increased product prices. However, this increase was offset by additional operating, administrative and depletion costs due to the inclusion of Bridger's operations and the effect of a substantially expanded exploration and development program.

Cash flow from operations for the period totalled \$26,741,000 as compared to \$26,761,000 in the previous year.

PRODUCTION

Crude oil and natural gas liquids production was 31,688 barrels per day compared to 32,738 barrels per day in 1978. Natural gas sales increased to 147,796 MCF per day in comparison with 132,174 MCF per day in 1978. The increase in gas sales results from the inclusion of Bridger Petroleum for the full three month period in 1979 and additional natural gas sales in the United States.

It is anticipated that the Company's interest in production from the Eagle and Stoddart areas in Northeastern British Columbia will increase to 3,000 barrels of oil per day by year end as additional development is completed.

DRILLING

The Company undertook an expanded drilling program during the first quarter of the year participating in the drilling of 70 exploratory wells and 58 development wells. Exploratory drilling resulted in 15 gas wells, 14 dry holes and 41 wells still drilling or awaiting testing and completion at March 31, 1979. Development drilling resulted in 11 oil wells, 28 gas wells, 8 dry holes with 11 wells drilling at March 31.

EXPLORATION

In the general Pembina area a 300 kilometre seismic program was completed this winter and is currently being interpreted. The Company has recorded four Nisku oil wells out of nine wells drilled to date in this area.

At Owl River the latest Cardium well in 7-5-45-16W5 was completed with 20 metres of gas pay and the semi-proven area now extends ten kilometres in a northwest-southeast line.

CONSOLIDATED STATEMENT OF EARNINGS

For the Three Months ended March 31, 1979
(\$000's omitted)

	1979	1978
REVENUE		
Operating	\$61,298	\$52,633
Equity income	564	331
Investment income	492	1,156
	<u>62,354</u>	<u>54,120</u>

EXPENSE		
Cost of sales and operating	26,537	21,165
General and administrative	3,067	2,190
Depreciation and depletion	9,640	8,353
Interest and expense on		
long term debt	3,418	2,134
Other interest	674	489
Minority interest	876	170
	<u>44,212</u>	<u>34,501</u>
	<u>18,142</u>	<u>19,619</u>

PROVISION FOR INCOME TAXES		
Current	1,397	1,078
Deferred	5,954	7,878
	<u>7,351</u>	<u>8,956</u>

NET EARNINGS		
Before extraordinary item	10,791	10,663
Extraordinary item (Note)	1,147	—
	<u>\$11,938</u>	<u>\$10,663</u>

BASIC EARNINGS PER SHARE		
Net earnings	\$ 1.31	\$ 1.30
before extraordinary item	.14	—
Extraordinary item	<u>\$ 1.45</u>	<u>\$ 1.30</u>

FULLY DILUTED EARNINGS PER SHARE		
Net earnings	\$ 1.29	\$ 1.27
before extraordinary item	.14	—
Extraordinary item	<u>\$ 1.43</u>	<u>\$ 1.27</u>

FLOW OF FUNDS FROM OPERATIONS		
Per Share	\$26,741	\$26,761
	<u>\$ 3.25</u>	<u>\$ 3.26</u>

NOTE: Income tax reduction realized on application of loss carry forward, net of minority interest.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Months ended March 31, 1979
(\$000's omitted)

	1979	1978
FUNDS WERE OBTAINED FROM		
Operations	\$26,741	\$26,761
Disposal of assets	11,223	11,192
Issuance of capital stock	289	146
Dividends	520	520
Other	3,635	—
	<u>42,408</u>	<u>38,619</u>

FUNDS WERE USED FOR		
Acquisition of Bridger Petroleum Corporation Ltd.	—	58,566
Less: Working capital acquired	—	(906)
Property, plant and equipment	—	57,660
Reduction in long term debt	33,229	31,796
Acquisition of minority interest	4,987	3,489
Investments and advances	62	—
Other	2,026	2,152
	<u>40,304</u>	<u>95,494</u>

INCREASE (DECREASE) IN WORKING CAPITAL		
Working capital (deficiency) at beginning of period	(4,139)	21,090
	<u>2,104</u>	<u>(56,875)</u>

WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD		
	<u>\$ (2,035)</u>	<u>\$ (35,785)</u>
	<u>1979</u>	<u>1978</u>

MAJOR BALANCE SHEET ITEMS (\$000's omitted)		
Working capital (deficiency)	\$ (2,035)	\$ (35,785)
Investments and advances	32,939	31,769
Property, plant and equipment — net	523,295	459,688
Long term debt	128,769	92,370
(less current maturities)	102,467	87,054
Deferred income taxes	323,228	286,382
Capital and surplus		
	<u>1979</u>	<u>1978</u>

PRODUCTION AND SALES		
Crude oil and natural gas liquids (cubic metres/day) — Gross	5,038	5,202
Natural gas (thousand cubic metres/day) — Gross	4,163	3,723
Sulphur (tonnes) — Gross	17,000	15,200

In the Gold Creek area of northwest Alberta, the Company participated in 35 wells, 29 of which are potential gas wells and one a potential oil well. Four were still drilling.

An active exploration and development program continued in the Fort St. John area of British Columbia. Seven oil wells were drilled in the West Stoddart-West Eagle and Eagle fields as part of a planned 22-well development program being undertaken during 1979. Oil production for the month of June reached 341 cubic metres (2,150 barrels) per day.

In the Foothills area of southern Alberta, the Home Mt. Barwell well began drilling on June 19. The well is located on 4 666 hectares (11,520 acres) of land in which the Company will earn a 75 per cent interest. Home participated in a previously announced gas discovery 13 kilometres (eight miles) to the north.

In the United States, three development wells were drilling in the N.E. Chevron gas field in the Gulf of Mexico. Production from the field, in which the Company has a 20 per cent interest, is expected to begin next year. In the High Island Blocks 560/561 in the Gulf of Mexico, three gas development wells were awaiting completion. Production from this field, in which the Company has a 15 per cent interest, is also expected to begin in 1980.

In the Beckville and Fairplay area of East Texas, four development wells were completed or being completed. One exploratory and eight development wells were completed or being completed in Beaver County, Oklahoma. The wells are expected to come on full production next year.

In Western Australia, the Company has acquired a 27.5 per cent interest in 259 000 hectares (640,000 acres) of land on the Meda Block. A seismic program will be undertaken to develop potential drilling sites.

MANAGEMENT

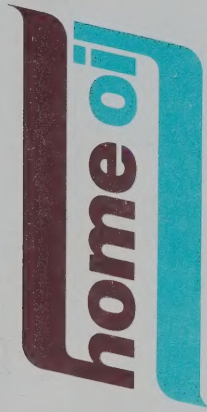
B. J. Todesco was appointed Vice-President and General Counsel. Mr. Todesco, formerly Vice-President, Law, has been with the Company for five years. T. S. Hoar was appointed Corporate Secretary.

R. F. Phillips *A. M. McIntosh*

R. F. Phillips
Chairman of the Board
and Chief Executive Officer

A. M. McIntosh
President and Chief Operating
Officer

Calgary, Alberta
August 15, 1979



INTERIM REPORT TO SHAREHOLDERS

FOR THE FIRST HALF
OF 1979

2300 HOME OIL TOWER
324 - 8TH AVENUE S.W.
CALGARY, ALBERTA
T2P 2Z5

August 15, 1979

TO THE SHAREHOLDERS:

FINANCIAL

Net earnings, before an extraordinary item, increased 16 per cent to \$22.3 million, or \$2.70 per share, for the first half of 1979. This compares with \$19.2 million, or \$2.34 per share, for the same period of 1978.

After inclusion of the extraordinary item of \$1.2 million, in respect of an income tax reduction on application of prior years' loss carry forward, net earnings were \$23.4 million, or \$2.85 per share, compared with \$20.9 million, or \$2.54 per share.

Net flow of funds from operations increased to \$52.8 million, or \$6.41 per share, compared with \$46.3 million, or \$5.64 per share, for the same period in 1978. Higher revenues and reduced current income tax expense due to an increased exploration and development program contributed to the increase in funds from operations.

Gross revenues increased 19 per cent to \$120.9 million. Natural gas liquids marketing and storage contributed more than half of the increase, based on increased prices and sales. Revenues from oil and gas production and mining operations were also higher, due primarily to increased product prices.

Capital expenditures for the first six months totalled \$67 million, compared with \$57 million a year earlier.

PRODUCTION

Crude oil and natural gas liquids production for the period averaged 4 904 cubic metres (30,860 barrels) per day, compared with 4 948 cubic metres (31 137 barrels) per day during the first six months of 1978. Natural gas sales averaged 3 990 thousand cubic metres (141,620 Mcf) per day compared with 3 714 thousand cubic metres (131,838 Mcf) per day in 1978.

With the completion early next year of plant and gathering systems in the Leismer gas field in northeastern Alberta, the Company will begin deliveries in March, 1980, under a sales contract with the Syncrude plant of about 560 thousand cubic metres (20 MMcf) per day of natural gas.

The Alberta Energy Resources Conservation Board has approved water flooding of the West Pembina Nisku C oil pool in which the Company has a 50 per cent interest. Waterflooding, which is expected to begin in November, will increase production from 95 cubic metres (600 barrels) per day to 159 cubic metres (1,000 barrels) per day.

EXPLORATION AND DEVELOPMENT

During the first six months, the Company participated in 210 exploratory and development wells, resulting in 23 oil and 86 natural gas wells. Thirty-five wells were still drilling and 33 were awaiting completion or being tested.

In the Owl River area of west central Alberta, the Company has a 10 per cent interest in the Amoco et al Brown Creek 11-22-44-16 W5M well that flowed natural gas during production tests at a rate of 453 thousand cubic metres (16 MMcf) per day from a 55 metre (180 foot) net pay zone. The Company has interests ranging from 10 to 15 per cent in 25 920 hectares (64,000 acres) on this prospective trend.

CONSOLIDATED STATEMENT
OF EARNINGS

For the Six Months Ended June 30, 1979
(\$'000's omitted)

	1979	1978
REVENUE		
Operating	\$119,114	\$ 98,494
Equity income	1,127	773
Investment income	708	2,113
	<u>120,949</u>	<u>101,380</u>
EXPENSE		
Cost of sales and operating	49,614	37,250
General and administrative	6,598	5,030
Depreciation and depletion	19,848	17,373
Interest and expense on long term debt	6,640	4,153
Other interest	1,429	1,783
Minority interest	1,123	358
	<u>85,252</u>	<u>65,947</u>
	<u>35,697</u>	<u>35,433</u>
PROVISION FOR INCOME TAXES		
Current	2,829	5,894
Deferred	10,609	10,350
	<u>13,438</u>	<u>16,244</u>
NET EARNINGS BEFORE EXTRAORDINARY ITEM	<u>22,259</u>	<u>19,189</u>
EXTRAORDINARY ITEM	<u>1,180</u>	<u>1,684</u>
NET EARNINGS	<u>\$ 23,439</u>	<u>\$ 20,873</u>
EARNINGS PER SHARE		
Net earnings	\$ 2.70	\$ 2.34
before extraordinary item	.15	.20
Extraordinary item	<u>2.85</u>	<u>2.54</u>
FULLY DILUTED EARNINGS PER SHARE		
Net earnings	\$ 2.66	\$ 2.29
before extraordinary item	.14	.20
Extraordinary item	<u>2.80</u>	<u>2.49</u>
FLOW OF FUNDS FROM OPERATIONS	<u>\$ 52,805</u>	<u>\$ 46,320</u>
Per Share	<u>6.41</u>	<u>5.64</u>

CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1979
(\$'000's omitted)

	1979	1978
FUNDS WERE OBTAINED FROM		
Operations	\$ 52,805	\$ 46,320
Disposal of assets	15,548	11,193
Sale of investments	—	4,189
Issuance of capital stock	504	398
Dividends	1,140	1,140
Other	4,055	—
	<u>74,052</u>	<u>63,240</u>
FUNDS WERE USED FOR		
Acquisition of Bridger Petroleum Corporation Ltd.	—	58,566
Less: Working capital acquired	—	(906)
	<u>—</u>	<u>57,660</u>
Property, plant and equipment	67,007	57,143
Reduction in long term debt	13,224	6,759
Acquisition of minority interest	617	—
Investments and advances	4,390	7,743
Dividends	5,360	3,698
Other	—	2,674
	<u>90,598</u>	<u>135,657</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(16,546)</u>	<u>(72,417)</u>
Working capital (deficiency) at beginning of period	<u>(4,139)</u>	<u>21,090</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>\$ (20,685)</u>	<u>\$ (51,327)</u>
MAJOR BALANCE SHEET ITEMS (\$'000's omitted)		
Working capital (deficiency)	\$ (20,685)	\$ (51,327)
Investments and advances	35,245	34,620
Property, plant and equipment — net	547,209	475,741
Long term debt (less current maturities)	120,532	88,145
Deferred income taxes	107,088	89,526
Capital and surplus	329,584	293,146
	<u>1979</u>	<u>1978</u>

PRODUCTION AND SALES

Crude oil and natural gas liquids (cubic metres/day) — Gross	4 904	4 948
Natural gas (thousand cubic metres/day) — Gross	3 990	3 714
Sulphur (tonnes) — Gross	33 800	29 200